

Information Requests

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DTE-1-1

In the Petition at §§ 3 and 21, the Compact states that it seeks approval of the electric supply agreements (“ESAs”) without pricing terms because experience to date (1) “has proven that this is the most responsive and feasible way to take advantage of anticipated market conditions later this spring and to expedite the process for selecting a supplier which provides benefits for all Compact consumers,” and (2) has demonstrated the “need to be responsive to market changes and the need for efficiency in executing the 2004 ESAs.”

Please discuss in detail whether and how a two-stage review process, in which the Department first would review and rule upon the non-price provisions included in the ESAs, and then would review and approve the pricing terms (when those terms were finalized) within five business days (similar to the Department’s review period for default service supply solicitations and consistent with the Department’s review in Cape Light Compact, D.T.E. 01-63 (2001)) would adversely affect the ability of the Compact to implement the Aggregation Program.

Response

With respect to the first point, there are normally two times of year in which it is advantageous to obtain pricing and execute a contract for power supply, the spring and the fall. The “anticipated market conditions” the Compact is referring to is this spring, prior to the summer peak pricing period which typically commences in June. Given this timetable to start providing consumers with a competitive supply in mid-May, coupled with the customer notice requirements of the opt-out period, a five business day approval will adversely affect the Compact’s ability to meet the mid-May commencement for power supply and as a result, will delay the ability to provide consumers with savings.

The Compact’s experience this past fall demonstrates the need to be responsive. The Compact issued an RFP for its municipal load in which a five day pricing validity period was requested. Suppliers generally ignored this requirement and only provided pricing for a twenty-four hour period or declined to bid. Requesting a five business day validity period in our experience is not feasible. It is important to note, the Compact’s Program is not similar to the default procurement process, which generally is for a six month time period. It is our understanding that for these short time periods, utilities lock in pricing within 24-hours even though the DTE can take longer than twenty-four hours to approve the default price. The Compact cannot accept a price given the uncertainty associated with a five business day approval process. The Compact needs the ability to accept pricing in a timely manner, and as long as pricing is below standard offer, it can start to provide consumers with savings.

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The Compact has recontacted its three suppliers to obtain additional input to this question. The suppliers have stated, given a five business day approval process, they would either “no bid”, provide a price valid for only twenty-four hours, or hold the price for five business days but place an extremely high risk premium on the quoted price. This would have the effect at best of costing consumers hundreds of thousands of dollars in unnecessary costs; clearly something the Compact does not want. At worst, several suppliers might not bid at all.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-1-2

Does the Compact intend to use any criteria other than price in selecting the winning supplier(s)? Please describe how the Compact will evaluate bid offers with differing contract terms.

Response

The Compact, in addition to price considerations, will evaluate suppliers' bids with respect to terms including stability of price, the term of the proposed supply, surety, and the financial condition of the supplier at the time the bids are provided. The Compact has performed a due diligence review of the suppliers prior to initial discussions regarding the Program, but will continue to monitor the stability and financial status of the suppliers going forward. The Compact will utilize the services of its technical consultant, Resource Insight, Inc., of Cambridge, to assist in the evaluation of the suppliers' bids.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-1-3

How many suppliers does the Compact expect to select to serve under the Program?

Response

The Compact expects to select one supplier to serve under the Program.

Witness Responsible: Margaret Downey, Administrator, Cape Light Compact

DTE-1-4

The Compact states that it “covenants with the Department that the Price Exhibit in the executed 2004 ESA will contain prices lower than the Standard Offer rates for each customer class for the remainder of the Standard Offer period” (Petition at § 23).

- a. Will the suppliers be allowed to submit bids in which the prices increase on or after the end of the standard offer period on March 1, 2005?
- b. If yes, what criteria will the Compact use to determine whether the bids will provide benefits to consumers after March 1, 2005 (e.g., will the Compact compare the post-standard offer service bid prices to current default service rates)?

Response

- a. Yes, suppliers are being asked to provide, at a minimum, pricing through September 2005 and potentially for a longer period of time. During the term of standard offer, prices must be below the distribution company’s price. The price for the remaining term of the contract will reflect the market.
- b. The Compact will evaluate both price and terms to determine whether the offer provides benefits to consumers. In terms of price, the Compact will evaluate offers against both current default prices and projections of market prices for comparable, full-requirements service. In addition, price stability will be considered as one of the criteria we use to compare suppliers. The Compact, however, does not believe that default service pricing is the appropriate benchmark price to beat in a post-standard offer era, but rather one of a series of measuring tools.

Witnesses Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact
Jonathan Wallach, Vice President, Resource Insight, Inc.

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DTE-1-5

Has the Compact established the date by which suppliers will be required to submit their bid prices? Will the Compact require that all of the suppliers submit their bids on the same day?

Response

The Compact has not established a firm date by which suppliers will be required to submit their bid prices. The Compact's original schedule is based on suppliers submitting bids shortly after DTE approval of this filing. Based on an anticipated approval date the week of April 12, 2004, supplier bids would be requested to be submitted sometime during the week of April 19, 2004, which would allow the suppliers approximately one week to prepare their bid and obtain management approval. This date is flexible dependent upon DTE approval of the filing. All suppliers would be required to submit their bids on the same day. If the Compact does not initially receive pricing that is below standard offer, it will continue to periodically ask suppliers to re-price until it achieves this objective.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

DTE-1-6

Please provide detailed responses to the following:

- a. If approved, on what date does the Compact intend to commence electric power supply for customers currently receiving standard offer and default service under the proposed ESAs? If the Compact does not know this date with certainty, please provide your best estimate and state the factors that will determine the commencement date.
- b. Will there be a phase-in of standard offer service and default service customers? If yes, please describe fully.
- c. On what date will customers currently participating in the Default Service Pilot Program begin receiving service under the Program? If the Compact does not know this date with certainty, please provide your best estimate and the factors that will determine the commencement date.
- d. Will there be a phase-in of customers currently participating in the Default Service Pilot Program? If yes, please describe fully.

Response

- a. If approved on or about April 12, 2004, the Compact, assuming it receives prices below current standard offer prices, would commence electric power supply during meter reads in late May 2004. Delays in approval beyond April 12, 2004 may adversely affect the Compact's ability to commence electric power supply prior to the summer peak pricing period. The critical factors affecting the commencement date are the date on which approval is received from the Department and, of course, market conditions. That is why the Compact has requested an expedited process for this filing. See also the Compact's response to DTE-1-5.
- b. Standard offer customers will commence electric power supply as soon as DTE approval is obtained, a price has been approved by the Compact, and the thirty day opt-out period has expired. Default service customers will commence electric power supply upon expiration of the current default pilot program, which is December 31, 2004, and be enrolled in the Program on their first meter read in January of 2005. Until December 31, 2004, all new default service customers continue the opportunity to participate in the default pilot program.
- c. See response to b, above.

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d. See response to b, above.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-1-7

Will customers currently receiving competitive supply service be eligible to participate in the Program if they affirmatively choose to do so? Please describe any limitations on participation that may be placed on these customers.

Response

The current Program will only include standard offer service customers and does not contemplate inclusion of those customers already on an existing competitive supply contract as of the date electric power supply commences. In order for customers currently receiving competitive supply service to participate in the Program if they affirmatively choose to do so, the Compact's supplier must accept their participation. In the default pilot program, the Compact's supplier could not accept a consumer who had previously been on a competitive supply agreement and then went onto default service.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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DTE-1-8

On what date will the Program terminate? If the Compact does not know this date with certainty, please provide your best estimate and the factors that will determine the termination date.

Response

No aggregation program termination date is contemplated. It is anticipated that the Compact, as a municipal aggregator, will continue to serve consumers on the Cape and Vineyard with an electric power supply that offers savings to consumers. Under the current Program, the term of electric power supply is flexible based on pricing received and the term of the Agreement. At a minimum, the Compact is interested in bids for a term at least through September 2005 but will entertain bids for a longer term such as three years. When the term of the current Program approaches its conclusion, the Compact will commence negotiations for pricing and terms for a new electric power supply that will commence at the conclusion of this current Program.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

DTE-1-9

Please describe the steps the Compact has taken (and will take) to receive the approval of its 21 members' local governing entities to enter into the ESAs submitted with the Filing, as required by G.L. c. 164, § 134(a). Please submit to the Department certified copies of any votes taken by each such entity.

Response

Chapter 40, § 4A of the Massachusetts General Laws provides a governmental unit with the authority to enter into an agreement with one or more other governmental units to jointly perform any activities which any of the contracting units is authorized by law to perform. (G.L. C. 40 § 4 authorizes any city or town to enter into contracts for the exercise of its corporate powers).

Pursuant to G.L. c. 40, §4A, the Compact is organized through a formal Inter-Governmental Agreement (the "Intergovernmental Agreement") signed by the towns of Barnstable, Bourne, Brewster, Chatham, Dennis, Eastham, Falmouth, Harwich, Mashpee, Orleans, Provincetown, Sandwich, Truro, Wellfleet, Yarmouth, Aquinnah, Chilmark, Edgartown, Oak Bluffs, Tisbury and West Tisbury, as well as Barnstable and Dukes counties.

Under the terms of the Intergovernmental Agreement, the Compact is authorized to negotiate contracts and other agreements on behalf of its member municipalities. The Compact submitted the Intergovernmental Agreement to the Department with its filing in Cape Light Compact, D.T.E. 00-47 (2001). If requested, the Compact will provide the Department with another copy of the Intergovernmental Agreement.

Each member of the Compact's Governing Board has the authority to contract on its behalf of his or her town or county. The Compact's Governing Board has already approved the forms of ESA submitted in this proceeding during its February 18, 2004 meeting and thus properly authorized all 21 member towns and counties to enter into the ESAs. Subsequent to the Board meeting, Compact members have met with their towns and advised them of the proposed contract.

Witness Responsible: Margaret Downey, Administrator, Cape Light Compact

DTE-1-10

Please describe the consultation activities the Compact has undertaken with the Division of Energy Resources (“DOER”) in developing the Program and the associated ESAs, as required by G.L. c. 164, § 134(a).

Response

Under G.L. c. 164 § 134(a), any municipality establishing a load aggregation program shall develop an aggregation plan in consultation with DOER. Pursuant to G.L. c. 164 § 134(a), the Compact developed an Aggregation Plan, after extensive consultation with DOER. The Compact held numerous open meetings with DOER and produced a draft of the Aggregation Plan that reflected comments of DOER. See “Aggregation Plan Development Chronology,” Volume II, Tab 5, of the Compact’s Petition in Cape Light Compact, D.T.E. 00-47 (2001). The Department approved the Compact’s Aggregation Plan and held that the Compact’s consultation with DOER met the statutory requirement. Id.; August 10, 2000 Order at 23-24.

The Compact met with the DOER on December 16, 2003 and once again on March 8, 2004 in which the DOER was briefed on the Compact’s status regarding its Program. During the last meeting, the DOER offered to provide a letter supporting the Compact’s Program. This letter was submitted on April 1, 2004 as part of the prescribed comment period for this Filing.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

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Please describe the activities the Compact has undertaken to inform and educate consumers regarding the Program, as required by G.L. c. 164, § 134(a).

Response

The Compact has included an Education Plan as part of its Filing for the Program. The Education Plan will be implemented for the Compact's Program as it was for its pilot default service program. Details of the Education Plan can be found in the Filing. In addition to the proposed Education Plan, the Compact routinely meets with the Boards of Selectmen (many of these meetings are televised) and updates the Selectmen on the Compact's power supply and energy efficiency programs.

The Compact also discusses its power supply efforts at community meetings and fairs. Over the course of the April and May, 2004, the Compact will visit 20 of its member municipalities. See Town Meeting Schedule attached as Exhibit A. The main purpose of these visits is to promote the Compact's Energy Efficiency Program; however, the Compact will also provide updates on its goal to expand the Program to include standard offer service customers, pursuant to D.T.E. 04-32.

Witness Responsible: Joe Soares, Senior Power Supply Planner, Cape Light Compact

DTE-1-12

Please reference the Compact's Program, Cape Light Compact, D.T.E. 00-47 (2001), and the Compact's initial plan in the D.T.E. 00-47 proceeding.
Describe:

- a. any and all differences in the Compact's current organizational structure with the structure described in the initial plan at § 3.2, and approved in D.T.E. 00-47, at 24;
- b. any and all differences in the Compact's current funding mechanism with the mechanism described in the initial plan at § 3.3, and approved in D.T.E. 00-47, at 24;
- c. any and all differences in the Compact's proposed method for entering and terminating agreements with other entities under the Program with the method proposed in the initial plan at § 3.5, and approved in D.T.E. 00-47, at 24;
- d. any and all differences between the customer enrollment methods currently proposed and the methods approved by the Department in D.T.E. 00-47, at 28-31; and
- e. how the Compact intends to comply with the Department's information disclosure requirements, and any and all difference between the method currently proposed and the method proposed in the initial plan at § 2.V.B, and approved by the Department in D.T.E. 00-47, at 27-28.

Response

- a. There are no differences between the Compact's current organizational structure with the structure described in the initial plan approved by the Department in D.T.E. 00-47.
- b. There are no differences between the Compact's current funding mechanism with the mechanism described in the initial plan approved by the Department in D.T.E. 00-47.
- c. There are no differences between the Compact's proposed method for entering and terminating agreements with other entities under the Program with the method proposed in the initial plan approved by the Department in D.T.E. 00-47.

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- d. There are no differences between the customer enrollment methods currently proposed and the methods approved by the Department in D.T.E. 00-47.
- e. The Compact intends to comply with the Department's information disclosure requirements using the same method proposed in the initial plan approved by the Department in D.T.E. 00-47.

Witness Responsible: Margaret Downey, Administrator, Cape Light Compact